



BILLING CODE: 4810-AM-P

BUREAU OF CONSUMER FINANCIAL PROTECTION

Notice of Availability of Revised Methodology for Determining Average Prime Offer Rates

AGENCY: Bureau of Consumer Financial Protection.

ACTION: Notice of availability.

SUMMARY: The Bureau of Consumer Financial Protection (Bureau) announces the availability of a revised methodology statement, entitled the “Methodology for Determining Average Prime Offer Rates.” The methodology statement describes the methodology used to calculate average prime offer rates for purposes of Regulation C and Regulation Z. The Bureau removed from the methodology statement the references to the sources of survey data used to calculate average prime offer rates.

ADDRESSES: The revised methodology statement is available on the web site of the Federal Financial Institutions Examination Council (FFIEC) at <https://www.ffiec.gov/ratespread/newcalchelp.aspx#4>.

FOR FURTHER INFORMATION CONTACT: Terry J. Randall, Counsel, Office of Regulations, at 202-435-7700.

SUPPLEMENTARY INFORMATION: The average prime offer rates (APORs) are annual percentage rates derived from average interest rates, points, and other loan pricing terms offered to borrowers by a representative sample of lenders for mortgage loans that have low-risk pricing characteristics. APORs have implications for data reporters under Regulation C and creditors under Regulation Z. Regulation C requires covered financial institutions to report, for certain

transactions, the difference between a loan's annual percentage rate (APR) and the APOR for a comparable transaction.¹ Under Regulation Z, a creditor may be subject to certain special provisions if the difference between a loan's APR and the APOR for a comparable transaction exceeds certain thresholds.²

The Bureau calculates APORs on a weekly basis according to a methodology statement that is available to the public and posts the APORs.³ To calculate APORs, survey data on four mortgage products are used and posted on the FFIEC web site weekly: 30-year fixed rate mortgage, 15-year fixed rate mortgage, five-year variable rate mortgage, and one-year variable rate mortgage.⁴ Currently, both the methodology statement and the FFIEC web page that lists the survey data used to calculate APORs identify the sources of the survey data used to calculate APORs.

The Freddie Mac Primary Mortgage Market Survey® (PMMS) previously provided survey data for all four of the mortgage products that were used to calculate the weekly APORs. Earlier this year, Freddie Mac discontinued publishing the result for the one-year variable rate mortgage product. However, it provided the Bureau with data on the one-year variable rate mortgage product obtained using the same survey and calculation techniques as the PMMS. Beginning on July 7, 2016, the Bureau started using data provided by a survey conducted by HSH Associates (HSH) for the one-year variable rate mortgage product together with PMMS data on 30-year fixed rate mortgage, 15-year fixed rate mortgage, and five-year variable rate

¹ 12 CFR 1003.4(a)(12)(i).

² 12 CFR 1026.35(a) and 1026.32(a)(1)(i).

³ See FFIEC, Average Prime Offer Rate Tables, *available at* <https://www.ffiec.gov/ratespread/aportables.htm>.

⁴ See FFIEC, Mortgage Rate Survey Data Used to Calculate Rate Spreads for Loans Reportable under HMDA, *available at* <https://www.ffiec.gov/ratespread/mortgagerates.htm>.

mortgage products to calculate the weekly APORs. The Bureau updated both the methodology statement⁵ and the FFIEC web site to note the change in the source of survey data for the one-year variable rate mortgage product and continued to post the survey data used to calculate APORs on the FFIEC web site on a weekly basis.⁶ The Bureau has learned that, this month, HSH will discontinue collecting mortgage survey data, including data on the one-year variable rate mortgage product. The Bureau has identified a replacement source of survey data on the one-year variable rate product: data obtained from Freddie Mac using the same survey and calculation techniques as PMMS, although the official PMMS no longer publishes results for the one-year variable rate mortgage product. The Bureau will use these data to calculate APORs beginning on September 22, 2016.

The Bureau will continue to post the survey data used to calculate APORs on the FFIEC web site every week at <https://www.ffiec.gov/ratespread/mortgagerates.htm> and will continue to identify the source of the survey data on that web page. However, to streamline how the Bureau provides notice of the sources of survey data, the Bureau will no longer revise the methodology statement each time it is necessary to change the source of survey data. Accordingly, the Bureau revised the methodology statement to remove the references to the sources of survey data. In addition to this change to the methodology statement, the Bureau corrected the methodology statement to clarify that the survey data reflect only points and do not include fees. There are no other substantive changes to the methodology statement.

⁵ Notice of Availability of Revised Methodology for Determining Average Prime Offer Rates, 81 FR 52831 (Aug. 10, 2016).

⁶ See FFIEC, Mortgage Rate Survey Data Used to Calculate Rate Spreads for Loans Reportable under HMDA, available at <https://www.ffiec.gov/ratespread/mortgagerates.htm>.

Dated: September 13__, 2016.

Richard Cordray,

Director, Bureau of Consumer Financial Protection.

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